

*California Public
Employees'
Retirement System*



**TAXES
AND YOUR
RETIREMENT**

TAXES AND YOUR RETIREMENT

By law, all CalPERS retirees whose allowances are taxable are required to select one of three tax withholding options:

- have no taxes withheld;
- have a specific dollar amount withheld;
- have taxes withheld according to tax tables based on marital status and number of exemptions.

For those who have their withholding based on tax tables, taxes will not be withheld unless your gross allowance exceeds the minimum amount listed on the tax table for that filing status.

If you do not choose an option, CalPERS is required by law to withhold taxes based on a married person with three exemptions.

Federal Tax Information

You may be penalized by the Internal Revenue Service if you do not withhold a sufficient amount of federal tax. Please contact your local IRS office or a tax consultant for more information about federal taxes. For further information, you may obtain a free copy of IRS Publication #575, "Pension and Annuity Income" by calling the Internal Revenue Service at their national toll-free number, (800) 829-1040. This publication is updated annually and is usually available after the first of the year.

California State Tax Information

In January of 1996, federal legislation was enacted prohibiting states from taxing the pension income of non-residents. While your CalPERS benefit is still California source income, there is no longer any California source tax for qualified non-residents. If you live outside California, no California state taxes will be withheld from your CalPERS benefit without your authorization.

Please contact the Franchise Tax Board or a tax consultant if you have questions about your California residency status or your California state taxes. Please be aware that CalPERS participates in the Combined Federal/State Filing Program: your reported income may be accessed by the California Franchise Tax Board or your state of residence.

1099R Income Statement

Each January, CalPERS sends you a 1099R form containing information on your CalPERS income from the previous calendar year. The box in the 1099R form labeled “Gross Distribution,” contains the total amount of your gross allowance. This is normally the accumulated gross amount of the warrants you received that were dated January 1 through December 31. The box labeled “Taxable Amount,” will contain the amount of the gross allowance that is taxable income.

Other information that CalPERS is required to report to the IRS is shown in the “Employee Contributions or Insurance Premiums” box. This is the amount of your previously taxed contributions that were *recovered* during the **current** tax year. The box labeled “Total Employee Contributions” is the amount of your *unrecovered* previously taxed contributions at the **beginning** of each tax year.

Retirement On Or After November 18, 1996

If you retired ***on or after*** November 18, 1996, CalPERS is required under IRS regulations to use the IRS “Special Rule.” Any alternative methods of calculating the tax free portion are no longer available for members who retired on or after November 18, 1996. If your retirement date is *on or after* November 18, 1996, you may estimate your monthly/annual tax-free portion using the “***Special Rule***” worksheet. (See *backside*.)

Retirement Before November 18, 1996

If you retired ***before*** November 18, 1996, CalPERS used the Optional Simplified General Rule to determine taxable income. You may estimate your monthly/annual tax-free portion using the “***Simplified General Rule***” worksheet.

SPECIAL RULE

(If you retired **on** or **after** November 18, 1996)

1. Total pension received this year. _____
2. Previously taxed contributions.
(Refer to your Notice of Benefit
Approval letter, PERS-BAS-11,
provided to you when you retired.) _____

AGE OF RECIPIENT AT RETIREMENT	NUMBER OF PAYMENTS
55 and under	360
56-60	310
61-65	260
66-70	210
71 and over	160

3. Divide the amount on line 2 by
the number of payments based
on age at retirement (*from the
table above*), and round to two
decimal places. _____
4. Multiply line 3 by the number
of months for which this year's
payments were made. _____
5. Subtract line 4 from line 1
(*do not enter an amount less
than zero*). This is your taxable
pension for the year. _____

FOR MORE INFORMATION

Benefit Services Division

P.O. Box 942716; Sacramento, CA 94229-2716

(916) 326-3848, (800) 352-2238

TDD – (916) 326-3240, FAX – (916) 326-3933

www.calpers.ca.gov

SIMPLIFIED GENERAL RULE

(If you retired **before** November 18, 1996)

1. Total pension received this year. _____
2. Previously taxed contributions.
(Refer to your Notice of Benefit
Approval letter, PERS-BAS-11,
provided to you when you retired.) _____

AGE OF RECIPIENT AT RETIREMENT	NUMBER OF PAYMENTS
55 and under	300
56 – 60	260
61 – 65	240
66 – 70	170
71 and over	120

3. Divide the amount on line 2 by
the number of payments based
on age at retirement (*from the
table above*), and round to two
decimal places. _____
4. Multiply line 3 by the number
of months for which this year's
payments were made. _____
5. Subtract line 4 from line 1
(*do not enter an amount less
than zero*). This is your taxable
pension for the year. _____

Regional Offices

Refer to "Do You Have The Right Number?"
(PERS-PUB-19) for a directory to CalPERS
Regional Offices.

